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Folio:

THE MAGAZINE FOR MAGAZINE MANAGEMENT

SPECIAL ISSUE -- CIRC. MANAGEMENT
* THE FUTURE OF FULFILLMENT
* * 1981 FOLIO CIRCULATION SURVEY
* * ADVANCE RENEWAL STRATEGIES
PROFILE: CHARLES MILL OF ABP

OCTOBER 1981 VOL. 10 NO. 10

Folio:

THE MAGAZINE FOR MAGAZINE MANAGEMENT

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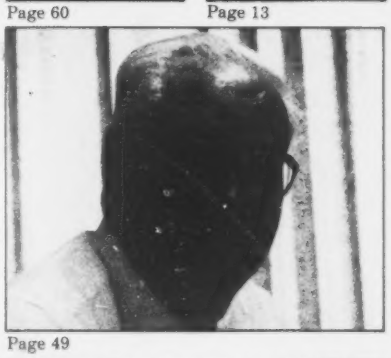

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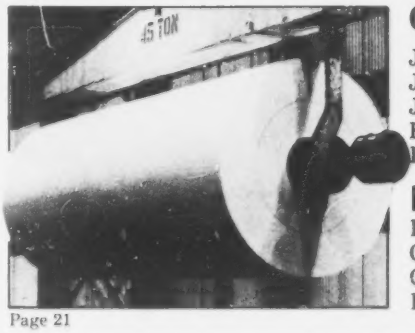

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lieve" that Phillips was in possible violation of Federal election restrictions. When Phillips Publishing refused to answer a subsequent FEC subpoena for information concerning its staff, finances and mailings, the FEC went to Federal District Court seeking enforcement of the subpoena.

Phillips' attorneys argued for, and received, dismissal of the FEC investigation on the grounds that the law specifically exempts legitimate news, editorial and opinion material from FEC jurisdiction.

Ad pages: June up 1%; first half stable

New York City—A slight gain in advertising pages for the month of June among Publishers Information Bureau member magazines offset small page declines earlier in the year, making pages for the first half of 1981 about even with pages for last year's first half.

Ad pages for June totaled 9,626.85, up by 140.10 pages, or 1 percent, over the same month in 1980. Advertising revenue for the month totaled $267,087,271—a $31,388,616, or 13 percent, gain over June of last year.

Pages for the first six months of the year totaled 58,630.09, representing no appreciable gain or loss from pages for the same period in 1980. Revenue for the period totaled $1,531,772,410—an increase of $112,119,702, or 8 percent, over the first six months of last year.

Publishers to pay less tax under new New York law

Albany, N.Y.—A new New York State tax law reduces the amount of corporate tax a New York State publishing company has to pay each year.

Effective January 1, 1982, the tax on advertising revenue will be based on the percentage of ad revenue that equals the percentage of a magazine's circulation that is delivered in New York State. For example, if a magazine has one million dollars in ad revenue, but only 10 percent of its circulation is delivered in New York State, tax would be paid on only 10 percent, or $100,000, of the ad revenue.

Under the current law, a magazine is required to pay corporate tax on 100 percent of the advertising revenue generated in New York State.

The new law, a revision of the New York State Franchise Tax that applies only to magazine and newspaper publishers, was designed to increase publishing activity in New York State.

"This is a very beneficial change for the magazine publishing industry," says Stanley Gottlieb, tax manager for the Hearst Corporation. Gottlieb played a central role in persuading the New York State Legislature to make the change.

The new tax law also provides an economic incentive for publishers to incorporate in New York. According to a spokeswoman for the New York State corporate tax office, the new revision is part of what she calls New York's "giveaway plan," whereby selected industries are given tax breaks in an effort to foster business in the State.

Canada's Postal Strike

(Continued from page 4)

and owner Roy Whitsed. "During the longest postal strike before this—45 days in 1975—we had to borrow lots of money."

• *Canadian Forum*, an independent journal of opinion and the arts, asked employees to take their

10 magazines showing largest percentage ad revenue increases, first half of 1981*

	1980	1981	% increase
1) Science 81	$ 390,283	$ 1,867,613	376.5
2) Next	202,975	722,252	255.8
3) New Shelter	390,723	982,436	151.4
4) Inside Sports	1,036,793	2,316,540	123.4
5) Venture	436,542	909,642	108.4
6) Changing Times	1,556,537	3,034,553	95.0
7) Working Woman	2,687,939	1,492,902	80.0
8) McCall's Working Mother	855,502	1,416,448	65.6
9) Inc.	4,382,777	7,106,685	62.2
10) Money	7,251,814	10,767,462	48.5

*Figures from current Publishers Information Bureau member magazines, measured by Leading National Advertisers, Inc. Note that some of the magazines with large percentage increases are new magazines. Increases for established magazines, such as *Money*, are more difficult to achieve.

10 magazines showing largest percentage ad revenue decreases, first half of 1981*

	1980	1981	% decrease
1) Book Digest	$ 2,259,700	$ 812,124	-64.1
2) New West	4,898,390	2,401,159	-51.0
3) Harper's	1,241,682	878,945	-29.2
4) Us	3,220,425	2,381,754	-26.0
5) Atlantic Monthly	1,246,992	940,532	-24.6
5) Grit	1,894,646	1,482,643	-24.6
6) World Tennis	2,843,976	2,325,775	-18.2
7) Prime Time	225,419	188,524	-16.4
8) Psychology Today	7,508,213	6,399,352	-14.8
9) Family Circle	45,434,576	40,106,029	-11.7
10) Panorama	344,285	305,390	-11.3

*Figures from current Publishers Information Bureau member magazines, measured by Leading National Advertisers, Inc.

Publication delivery box score: weekly 'time-value' publications January through June 1981*

Market area monitored	On time	One day late	Later
Atlanta, GA	53	28	19
Austin/San Antonio, TX	45	33	22
Baltimore, MD	52	27	21
Boston, MA	62	23	15
Buffalo, NY	65	25	10
Charlotte, NC	62	18	20
Chicago, IL	62	25	13
Cincinnati, OH	62	26	12
Cleveland, OH	45	32	23
Columbus, OH	72	11	17
Dallas, TX	37	44	19
Denver, CO	40	30	30
Detroit, MI	57	32	11
Grand Rapids, MI	83	13	4
Greensboro, NC	68	14	18
Hartford, CT	68	21	11
Houston, TX	30	34	36
Indianapolis, IN	47	26	27
Jacksonville/Tampa, FL	60	23	17
Kansas City, MO	56	29	15
Los Angeles, CA	47	30	23
Memphis, TN	54	31	15
Miami, FL	44	28	28
Milwaukee, WI	65	23	12
Minneapolis, MN	58	26	16
Nashville, TN	37	39	24
New Orleans, LA	20	36	44
New York, NY	57	31	12
Philadelphia, PA	55	30	15
Phoenix, AZ	36	31	33
Pittsburgh, PA	43	35	22
Portland, OR	36	36	28
Reno, NV	51	17	32
St. Louis, MO	49	32	19
Salt Lake City, UT	26	29	45
San Diego, CA	49	32	19
San Francisco, CA	51	28	21
Seattle, WA	13	22	65
Tulsa, OK	62	22	16
Washington, DC	63	23	14
Wichita, KS	74	19	7
Average	**52%**	**28%**	**20%**

*Data based on experience of 20 weekly business and consumer publications accounting for 1,358,000 copies in the mail each week and predicated on delivery as NEWSPAPERS. Most publications monitored maintain multiple additional entries and air freight to post office of entry. Source: Red Tag News Publications Association, Inc.

Reader's Digest continued during the summer to mail pieces with the two 10-cent stamps in case the rate hike was approved, the final loss will substantially exceed the initial $100,000.

"We just have to frown and bear it," said a *Reader's Digest* spokesman. "The Postal Rate Commission has never before turned down a request for a rate hike, so we felt safe in going with the 20 cents."

Reader's Digest uses stamps on its return envelopes rather than business-reply envelopes because the presence of real stamps helps increase the number of responses, the spokesman said.

Art Burns honored by NBCA

Radnor, Pa.—Art Burns, circulation manager, Chilton Company, was honored for his dedication and contributions to the National Business Circulation Association (NBCA) at the organization's September meeting. Burns, along with other circulation executives, founded NBCA in 1948 for the purpose of developing and promoting better circulation management. He served as president of NBCA from 1971 to 1981.

Burns will be succeeded by George T. Granger, circulation manager, Cleworth Publishing Company, Inc., Cos Cob, Connecticut.

Dorothea E. Forier wins FMA awards

New York City— Dorothea E. Blohm Forier, coordinator of book services for Hearst Books, division of Hearst Corporation, won two awards at the Fulfillment Management Association Awards dinner. She is the first person

Publication delivery box score Ordinary second class & controlled circulation publications* April through June 1981

Zones	USPS service standard	Better than service standard	Service standard	1-3 days late	4-6 days late	7-10 days late	later
1&2	4th day	13	5	42	20	9	11
3	5th day	17	11	44	17	11	0
4	6th day	21	10	30	21	14	4
5	7th day	22	12	31	22	11	2
6	8th day	20	12	36	19	8	5
7	9th day	33	2	30	23	3	9
8	10th day	22	11	29	21	10	7
Composite	%	**21%**	**9%**	**33%**	**21%**	**10%**	**6%**

*Data based on experience of 10 business and consumer publications (including both large- and small-volume circulation publications) using available United States Postal Service surface transportation. Source: Red Tag News Publications Association, Inc.

Advertising sales

86% of advertisers, agencies say media plans are revised

Skokie, Ill.—Ad budgets are not carved in stone, but can and do change, often many times, according to results of a recently-released survey done for Standard Rate & Data Service, Inc.

Fully 86.4 percent of the advertiser and agency executives surveyed reported that a media plan is usually revised after it has been developed at their companies/agencies.

For magazine salespeople, the significance of this result is clear: They have very little to fear and possibly much to gain by trying to get on a media schedule that is reportedly already complete.

Four out of five respondents to the survey, which was conducted for SRDS by the Erdos and Morgan, Inc. marketing research firm, indicated that media plans are usually revised not just once, but two or more times—and 40 percent said that three or more revisions are usually made.

The survey also produced extensive data about advertisers' and agencies' views on the influences affecting consumer magazine buying decisions.

For example, among advertisers responding to the survey, 76.0 percent rated ad agency media buying recommendations as a "very important" source of information about consumer magazines. The source named "very important" by the next-largest percentage (58.1 percent) of advertiser respondents was syndicated audience research.

Other sources of recommendations rated "very important" by advertisers were primary readership research (43.8 percent); ABC statements (39.7 percent); magazine salespeople (24.5 percent); magazine media kits (12.5 percent); and Publishers Information Bureau (PIB) information (9.1 percent). Magazines' direct mail efforts were considered very important by only 2.4 percent of advertisers.

Somewhat ironically, a smaller percentage of advertising agency respondents (70.8 percent) than advertiser respondents (76.0 percent) said that agency media recommendations (for example, intra-agency departmental recommendations) were "very important" sources of consumer magazine information for them. (At the agency level, 22 percent of all respondents were media people, 17 percent were account executives or supervisors, and 15 percent were top management people.)

However, this 70.8 percent did position agency recommendations as the top information source. Agencies also followed the advertisers' pattern in the placement of value on other information sources (syndicated audience research was rated "very important" by the second-largest

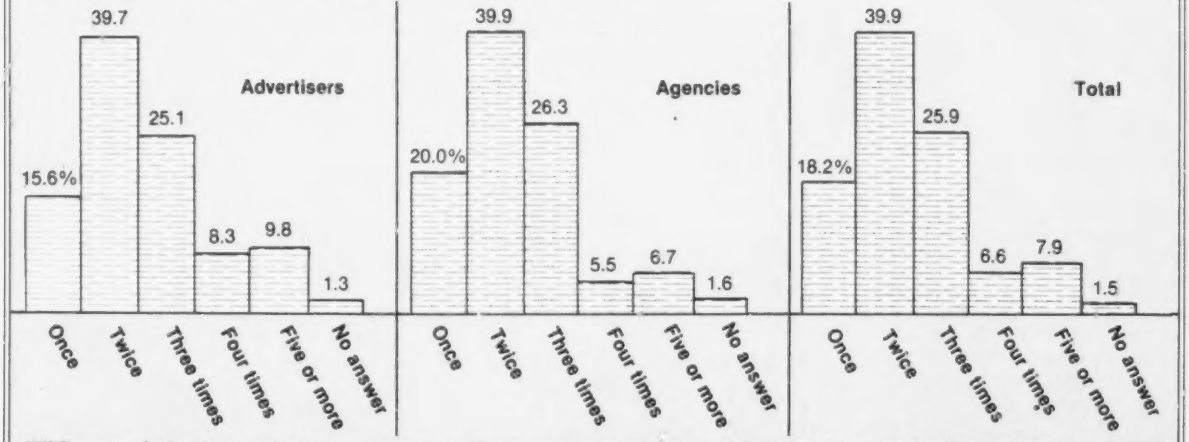
(Continued on page 32)

New system screens ad inquiry potential for advertisers

New York City—A new system that determines the probability of turning an ad inquiry into a sale by qualifying ad-generated leads and then cost analyzing them has been introduced by McGraw-Hill, Inc. The Qualified Lead System (QLS) determines the value of prospects from telephone interviews with inquirers. The information thus obtained allows sales directors to increase both the efficiency and productivity of their sales forces.

QLS creates an information bank for each client that enables a sales or marketing director to compare the sales per ad generated by ads placed in different media. Data such as who responds to what types

Number of times media plans are revised*



*SRDS survey of advertisers and agencies conducted by Erdos and Morgan. Figures represent responses from the 822 respondents (out of 1,128) to the survey who said their companies usually revise media plans after developing them.

tached to either a perfect-bound or saddle-stitched magazine."

Although magazines will incur some extra costs by carrying the modules, the costs will be paid by Modular Magazine Sampling System, Schluger said. The costs include the charge for affixing the modules to the magazines, and the added postage needed to deliver the module-laden magazines to subscribers.

Schluger said the modules take advantage of a United States Postal Service regulation that allows for tandem delivery of two mailable entities to a single address. The modules, he said, will be mailed third class bulk rate, with the available pre-sort discount.

The foam carrier was introduced in a small test with *Woman's Day* (which is sold only on newsstands) in Bridgeport, Connecticut, last spring. The presence of the foam carrier on the magazine did not adversely affect circulation, according to Jay Burzon, vice president/advertising director at *Woman's Day*. He said that inclusion of *Woman's Day* in next February's test was warranted because of the favorable Bridgeport test.

"However," Burzon added, "we have to make sure that carrying the module doesn't cause a shortfall in circulation by making the magazine so thick that it causes 'out-of-stock' problems." A shortfall might occur because fewer copies can be carried in a rack at any one time.

Burzon also expressed the concern that an advertiser who purchases a back cover might object to having his ad covered by the module. He and Schluger have discussed the possibility of having the module inserted into the magazine.

All modules will be affixed to back covers of magazines for the upcoming test, however. "We feel the module actually enhances the back cover ad," Schluger said. "We found in Bridgeport that when someone picked up the magazine, he or she immediately turned to the module." *Woman's Day* is the only magazine that has voiced concern about the back cover ad, he said.

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SRDS survey

(Continued from page 30)

percentage of agency respondents, and so forth).

Overall, both agency recommendations and audience syndicated research were rated as very or somewhat important sources of information by 86 percent of all agency and advertiser respondents. Primary readership research was very or somewhat important to 81 percent, magazine sales people to 77 percent, ABC statements to 75 percent, magazine media kits to 52 percent, PIB data to 47 percent, and magazine direct mail to 21 percent.

In a separate question, respondents were asked to indicate the *types* of information of interest to them in selecting consumer magazines for use in an ad campaign. Demographics was the type information cited by the most advertisers (90.5 percent), as well as by the most agency respondents (93.8 percent).

Cost-per-thousand was cited by the second largest group of advertisers (80.4 percent) as the most important type of information, whereas readership information (frequency, time spent, where read, and so forth) was cited by the second largest group of agencies (84.2 percent) as the most important type of information.

Other most desired types of information listed by ad agency respondents, in the order of the percentages of those who cited these sources, were rates (83.6 percent); cost-per-thou-

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sand (82.9 percent); primary audience profile (81.0 percent); information on regional/demographic editions (77.6 percent); and growth of circulation (77.2 percent).

Among all respondents, the following types of data were considered most important in selecting consumer magazines: demographics (92 percent); cost-per-thousand (81 percent); primary audience profile (80 percent); readership (80 percent); and information on regional/demographic editions (71 percent).

Participants were also asked to whom a consumer magazine should send its promotional material. Not surprisingly, 93 percent of respondents named media people, followed by advertising managers at advertiser companies (86 percent); account executives at agencies (83 percent); and marketing and management people at advertiser companies (63 percent). Only one out of five respondents thought that magazines should try to reach management at either advertiser companies or at agencies.

For the survey, questionnaires were mailed in May 1981 to a random sample of 2,000 names taken from *Psychology Today*'s promotion list. One thousand one hundred twenty-eight responses (representing a response rate of 57.5 percent) were received. Respondents were not told of the sponsorship of the survey.

More than half (57 percent) of the respondents were advertising agency people; the remaining 43 percent were employees of advertiser companies.

People

Edgar L. Harrison to advertising director, *Outdoor Life*, from travel manager at *McCall's*.

Vicki Hudspith to advertising production director, *Seventeen*, from production manager of *Ms.* magazine.

Carole Kraemer to advertising manager, *The Nation*, from ad manager for Macmillan Publishing Company.

Richard C. Hebard to advertising sales director, *Tennis USA*, remaining as account executive for *World Tennis*.

Edwin T. Knobloch to Eastern advertising director, *Mechanix Illustrated*, from Eastern ad manager there; **Larry Craven** to Western advertising director at *Mechanix Illustrated*, from Midwest manager there.

In this first Folio circulation survey, circulation executives from throughout the industry reveal their problems, their opinions and their strategies for better performance.

1981 Folio subscription sales survey

By Barbara Love
Executive Editor

Circulation executives are planning to mail more direct mail subscription promotion pieces in 1981 than they mailed in 1980, according to a recent FOLIO survey on subscription sales. Sixty-five percent of respondents will mail more direct mail pieces in 1981 compared to only 13 percent who will mail fewer pieces. Twenty-two percent of respondents plan the same number of mailings this year as last year.

Thirty-five percent of respondents drop their major direct mail promotions in January; 25 percent in September; 23 percent in October;and 21 percent in May. Some small magazines mentioned that they spread out promotions evenly throughout the year so their small circulation staff has an even workflow.

When asked if they rent their mailing lists to their mailers, 54 percent of respondents said "yes."

Basic subscription rate

Over half the respondents (54 percent) said they increased their basic subscription rate in 1981 over 1980. The average increase in basic subscription price was 25 percent.

Although approximately half of the respondents to the survey (48 percent) said they do not know the percentage breakdown on sources of subscriptions, those who do know indicate that most new subscriptions (57 percent) come from direct mail. The second most important source is direct mail agents; an average of 26 percent of subscriptions come from this source, according to circulation directors. Field agents and white mail each account for an average of 16 percent of new subscriptions, respondents report.

When asked if they use a fulfillment service, 56 percent of respondents said "yes." The plurality (32 percent) rate the service they are getting from their fulfillment companies as "good." Thirty percent say the service they are getting is "very good"; 19 percent, "excellent"; 16 percent "fair"; and 3 percent "poor."

Twenty-eight percent of respondents report that they are considering changing fulfillment companies in the next 12 months. Twenty-six percent of respondents using an outside fulfillment service are "seriouly considering" moving fulfillment in-house in the next two years. About one-quarter of respondents using outside fulfillment services are "seriously considering" becoming involved in on-line interactive systems with fulfillment companies.

Mailing and distribution of renewal notices is handled in-house by 50 percent of respondents. Thirty-six percent report this function is handled by the fulfillment house; 14 percent by a mail house.

The average size of the subscription circulation staff for respondents is 2.25 people.

When asked how many renewal efforts are in the renewal series used, circulation executives gave responses ranging from one to 13. The average is 4.02. Nineteen percent of respondents say they use the telephone for renewal efforts.

Seventeen percent of respondents said they reduce their renewal prices at some point during their renewal series. Respondents said, on average, that 78 percent of subscribers are renewing at the basic rate; others renew at less-than-basic or at the introductory rate.

Sixty-five percent of new subscribers generated in 1979 renewed in 1980 (conversion rate). The overall renewal percentage for respondents (including conversions) was 65 percent in 1980.

On average, respondents spend 28 percent of subscription revenue on subscription promotion. Seventy-three percent of the subscription promotion budget goes into direct mail, according to respondents.

Sixteen percent of respondents report that they use an 800 number in subscription promotion. Twenty-three percent use an outside agency to create subscription promotions.

When asked what kind of offer they are making in subscription promotions, 67 percent reported that they have a soft offer (free examination copy) and 46 percent reported using a hard offer (binding order). As indicated, some magazines are using both types of offers.

Fifteen respondents say they are using premiums; six are using involvement devices (paste-on stamps, tokens, etc.); none are using sweepstakes.

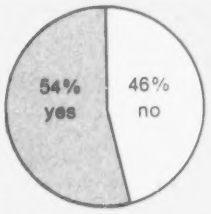
Premiums considered "very good"

Based on their experience, circulation directors gave premiums the highest ratings.

Nine evaluated the effectiveness of premiums as "very good"; four, "excellent"; four, "good"; four, "fair"; and three, "poor."

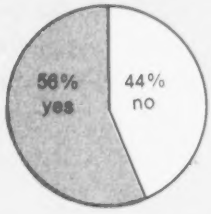
While no respondents are now using sweepstakes, two respondents said their experience with sweepstakes was "very good"; three, "good"; two, "fair"; and one, "poor."

Respondents were mixed in their evaluation of involvement devices; two said they are "excellent"; two, "very good"; three, "good"; and one each for "fair" and "poor."



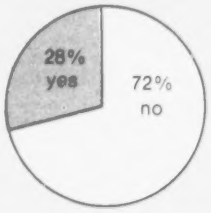
67 responses

Magazines increasing basic subscription rate in 1980

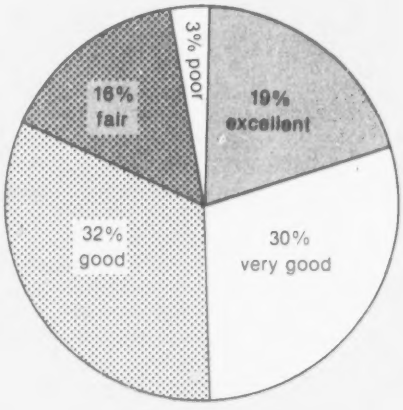


71 responses

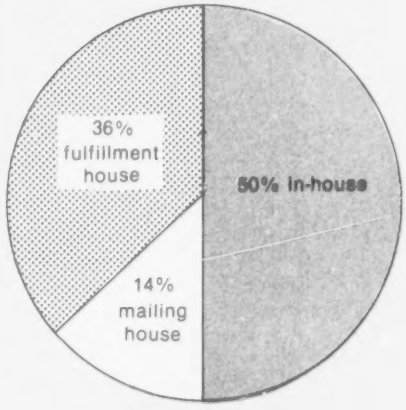
Magazines using fulfillment services



Circulation executives considering changing fulfillment companies in the next 12 months

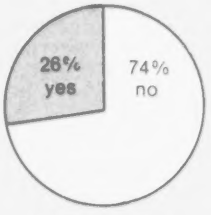


How circulation executives rate their fulfillment services



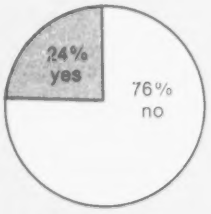
70 responses

Handling of mailing and distribution of renewal notices by fulfillment house, mail house, in-house



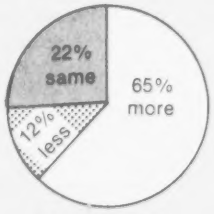
39 responses

Circulation executives seriously considering moving fulfillment in-house in the next two years



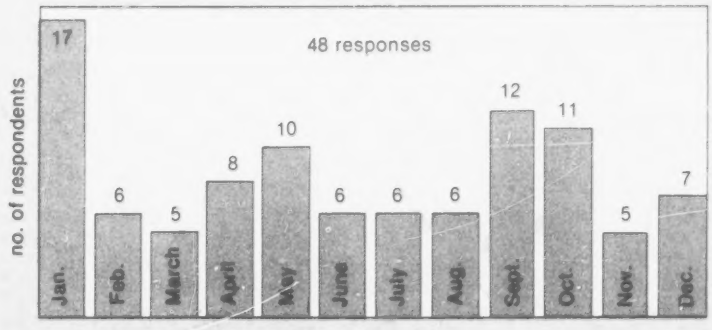
34 responses

Circulation executives seriously considering becoming involved in on-line interactive systems with their fulfillment companies



58 responses

Circulation executives planning to mail more, less, the same number of direct mail pieces in '81 vs. '80



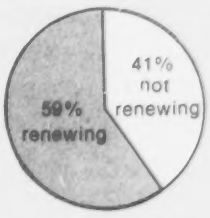
Months during which magazines drop their major direct mail promotions

65 responses

Magazines renting their mailing list

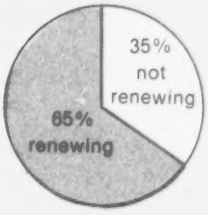
65 responses

Magazines reducing the renewal price at some time during the renewal series



33 responses

Percent of new subscribers generated in 1979 renewing in 1980 (conversion rate)

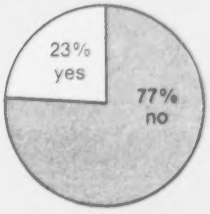


44 responses

Overall renewal percentage (including conversions)

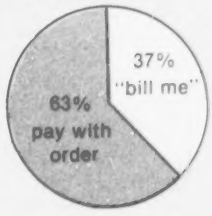
62 responses

Magazines using an 800 number



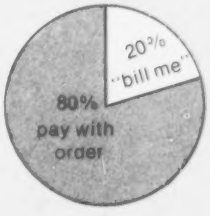
62 responses

Magazines using an outside agency to create subscription promotions



64 responses

Percent of *new* subscribers that pay with order vs. request "bill me"

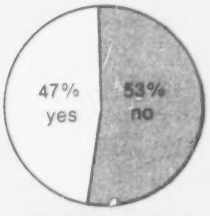


59 responses

Percent of *renewals* that pay with order vs. request "bill me"

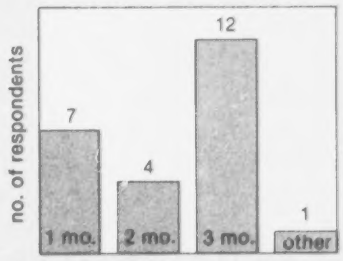
64 responses

Magazines accepting credit card payment

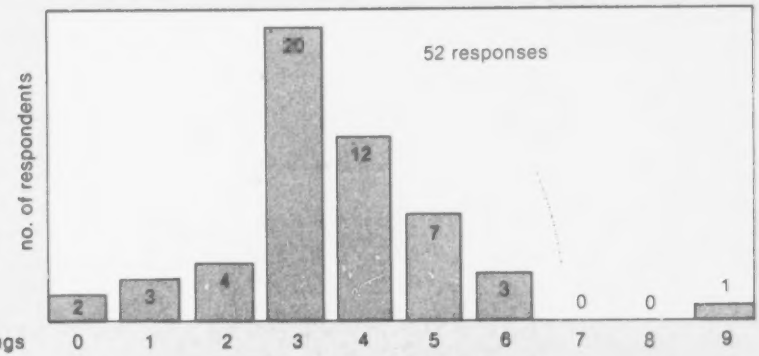


58 responses

Magazines that grace subscriptions



Magazines that grace subscriptions



Mailings made for collection

RENEWALS? NEW SUBSCRIPTIONS?
SPACE SALES? CONSIDER

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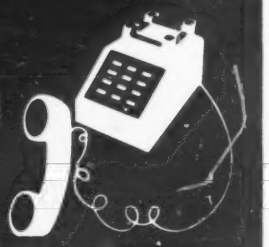
Pre-testing at extremely low rates. Tight controls insure that your product is professionally represented. 40 lines. Over a decade of experience.



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Folio: 1981 Directory of Magazine Suppliers

The Folio 1981 Directory of Magazine Suppliers is the industry's most comprehensive, authoritative source of information about the products, services and equipment purchased by magazines.
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Sixty-three percent of *new* subscribers pay with the order versus 37 percent who request "bill me." With *renewals*, 80 percent pay with the order versus 20 percent who request "bill me."

Forty-eight percent of respondents say they do accept credit card payments from subscribers.

Respondents average 3.48 mailings for collections. The range is from zero to nine. The percent of bad pay on *new subscriptions* is 13 percent; for *renewals*, it's 6 percent.

Forty-seven percent of respondents say they grace subscriptions. Of those that do grace subscriptions, 50 percent say they grace subscriptions for three months; 30 percent, one month; 17 percent, two months; and 4 percent, other.

Many problems

Circulation executives were asked what they see as the main problems facing them in the next five years. They listed the following problems:

- "Government regulation pertaining to telephone solicitation and the use of list names for direct mail purposes";
- "The decline of national reading interest among the young";
- "Competition for readers in the face of the ever-increasing number of magazines being published";
- "Uncontrollable postage costs making in-home video information sources more economical and thus more acceptable";
- "Showing a circulation profit";
- "Keeping up with changing technology";
- "The expansion of the Zip Code";
- "Cross-pollinating the circulation with other interested industries to keep circulation growing";
- "Increasing single-copy sales";
- "Costs getting out of hand";
- "Inefficient delivery services creating subscriber dissatisfaction";
- "Poor postal service in handling change of addresses";
- "Censorship problems";
- "Resistance by the public to rate increases."

Seventy-three circulation executives participated in the FOLIO survey, which had an effective mailing of 119 and a response rate of 61 percent. Magazines were selected on an nth name basis from FOLIO's 11,000 magazine database. The selection process ensured that magazines from all circulation-size groups are represented.